

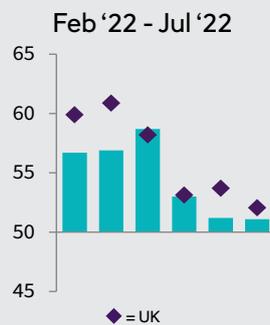


NatWest

NatWest North West PMI®

Modest rise in activity in July masks signs of growing strain on demand from uncertainty and high inflation

North West Business Activity Index



Key findings

North West Business Activity Index at six-month low of 51.1

New orders fall for first time since February 2021

Price indicators remain elevated but dip further from recent record highs

Although business activity across the North West rose in July, the rate of growth was only modest and below the UK average, according to latest Regional PMI® data from NatWest. Moreover, there were further signs of demand coming under pressure from high inflation, as inflows of new work in the region fell for the first time in almost a year-and-a-half.

At 51.1 in July, down slightly from June's 51.2, the headline North West Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – registered above but close to the 50.0 threshold that separates growth from contraction. This was the lowest reading for six months and compared with a UK-wide figure of 52.1.

Underlying data indicated that a loss of momentum in service sector growth across the region was compounded by a decline in local manufacturing production.

Richard Topliss, Chairman of North Regional Board, commented:

"Growth of activity in July was only modest and largely achieved through progress on backlogs of work built up in previous months. But with those backlogs starting to fall more rapidly, there is a threat to near-term output prospects unless demand revives. Firms in the region are holding on to hopes that the lull in demand will be temporary and that activity will increase over the next 12 months, but that's contingent on a number of things, not least developments in inflation. Rates of increase in firms' costs and output prices remained steep in July, although they continued to retreat from their record highs earlier in the year due in part to the effects of weakening demand."

North West Business Activity Index

sa, >50 = growth since previous month



PMI®

by S&P Global

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About the North West PMI® report

The NatWest North West PMI® is compiled by S&P Global from responses to questionnaires sent to North West companies that participate in S&P Global's UK manufacturing and services PMI surveys.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Business Activity Index. This is a diffusion index

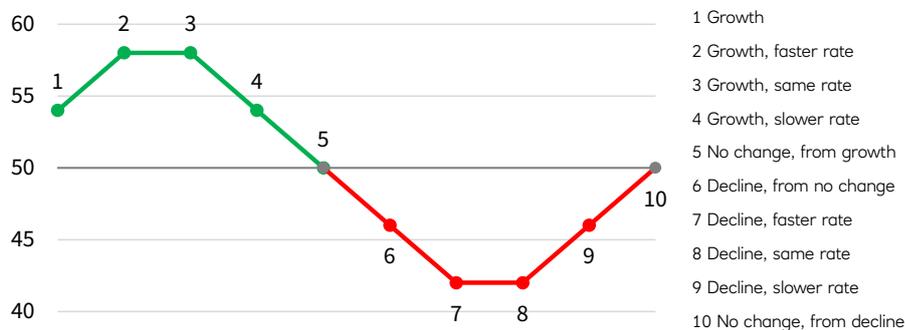
calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North West Business Activity Index is comparable to the UK Composite Output Index. It is sometimes referred to as the 'North West PMI', but is not comparable with the headline UK Manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Index interpretation

50.0 = no change since previous month



Demand and outlook

Inflows of new work fall for first time in 17 months

The amount of new business placed with firms in the North West fell during July, ending a 16-month sequence of growth and highlighting growing headwinds to demand. A number of surveyed companies commented on reluctance among customers due to a backdrop of uncertainty, sharply rising prices and supply chain frictions.

Although only modest, the decline in inflows of new work – which was centred on the region's manufacturing sector – contrasted with a sustained (albeit modest) rise across the UK as a whole.

Business expectations partially recover from June's recent low

After falling to a 25-month low at the end of the second quarter, firms' expectations towards future activity recovered slightly in July, although they still remained among the lowest seen over the past two years. Companies were generally optimistic about activity rising over the next 12 months, citing expansion plans and hopes of a continued post-pandemic recovery. That said, concerns about a potential recession weighed on confidence.

Exports

Growth in export markets slows to a crawl

The North West Export Climate Index (ECI) is calculated by weighting together national PMI output data according to their importance to the manufacturing exports of the North West. This produces an indicator for the economic health of the region's export markets. A reading above 50 signals an improvement in export conditions.

At 50.6 in July, down from June's 52.5, the ECI pointed to only a marginal improvement in export demand conditions that was the weakest seen for over two years. The region's top two international markets, the US and Germany, in fact saw activity levels decline during the month. This was partly offset by a continued strong recovery in economic activity in China.

New Business Index
sa, >50 = growth since previous month Jul '22



Future Activity Index
>50 = growth expected over next 12 months Jul '22



Export Climate Index
sa, >50 = growth since previous month Jul '22



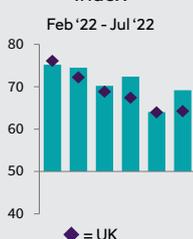
Top export markets, North West

Rank	Market	Weight	Output Index, Jul '22
1	USA	13.1%	47.7
2	Germany	10.5%	48.1
3	Ireland	7.2%	52.9
4	China	6.8%	54.0
5	Netherlands	6.4%	51.7

New Business Index



Future Activity Index



Export Climate Index



Business capacity

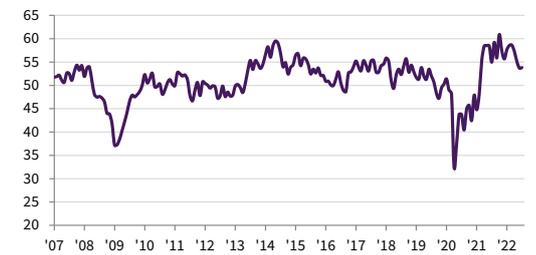
July sees further solid rise in employment

Latest data showed a further increase in employment across the North West private sector in July, as local firms reported filling vacancies and taking on additional staff to expand capacity. The rate of jobs growth was little-changed from June's 16-month low and below the UK-wide average, although it was still robust by historical standards.

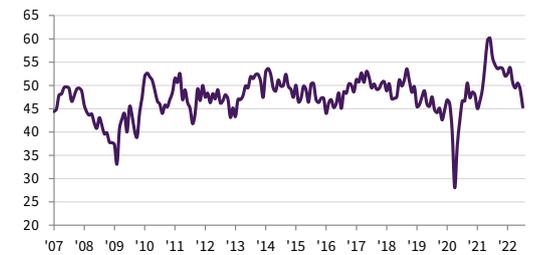
Decline in backlogs of work deepens

July saw backlogs of work (i.e. new orders received but not yet completed) at firms in the North West fall for the third time in the past four months, signalling waning pressure on business capacity across the region. Furthermore, with intakes of new work in decline and firms continuing to boost workforce numbers, the rate at which work-in-hand decreased accelerated notably to the quickest since January 2021 and was the second-fastest nationally behind that recorded in Northern Ireland.

Employment Index
sa, >50 = growth since previous month
53.8
Jul '22



Outstanding Business Index
sa, >50 = growth since previous month
45.4
Jul '22



Prices

Rate of input price inflation slips to 11-month low

Although still elevated by historical standards and signalling continued strong cost pressure on local firms, the rate of input price inflation retreated further from May's record high to an 11-month low in July. Soaring energy, fuel and food costs were widely recorded, alongside strong wage pressures. On the other hand, there were mentions that some material prices had passed their peak.

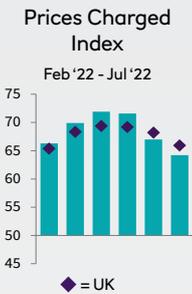
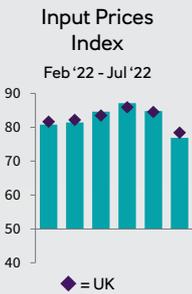
Input Prices Index 76.9
sa, >50 = inflation since previous month Jul '22



Prices charged continue to rise sharply, but rate of increase slows

With many firms continuing to pass-through higher costs to customers via increases in prices, July saw another steep rise in average charges for goods and services across the North West private sector. However, the rate of output price inflation slowed further from April's series-record high to the weakest since August last year, owing to slower increases across both manufacturing and services.

Prices Charged Index 64.2
sa, >50 = inflation since previous month Jul '22



UK Sector PMI

Sector specialisation: North West

Location quotients (LQs) are useful measures of regional economic specialisation and can identify industry clusters at a local level. They are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.

The tables below rank the location quotients for the North West, broken down by manufacturing and services. The UK Output Index for each sub-sector is also displayed.

North West specialisation: Manufacturing

Rank	Sector	LQ	UK Output Index, Jul '22 ⁺
1	Chemicals & Plastics	1.72	48
2	Transport	1.25	52
3	Textiles & Clothing	1.18	48
4	Timber & Paper	0.91	45
5	Basic Metals	0.84	52
6	Food & Drink	0.79	48
7	Other Manufacturing	0.72	50
8	Mechanical Engineering	0.56	55
9	Electrical & Optical	0.51	55

North West specialisation: Services

Rank	Sector	LQ	UK Business Activity Index, Jul '22 ⁺
1	Transport & Communication	1.18	48
2	Hotels, Restaurants & Catering	1.10	45
3	Business-to-business Services	1.03	50
4	Personal & Community Services	1.03	55
5	Computing & IT Services	0.81	55
6	Financial Intermediation	0.76	50

UK sector focus

Financial Intermediation

The UK's Financial Intermediation sector saw an increase in business activity in the three months to July. However, having been solid throughout the opening half of the year, the rate of growth slowed sharply and was among the softest seen since the current sequence of expansion began in the spring of last year.

The loss of momentum reflected a deepening decline in inflows of new work across the sector, with reports from surveyed firms highlighting the influence market and economic uncertainty, high inflation and rising interest rates. Expectations towards future activity deteriorated accordingly, dropping to their lowest in over two years.

On the price front, Financial Intermediation firms raised charges at a near-record rate in the three months to July, with underlying cost pressures close to the highest seen in over 25 years of data collection.

Output Index

sa, >50 = growth since previous month (3mma)⁺



⁺ 3-month moving average



UK Regional PMI overview

Business Activity

Eight of the 12 monitored UK regions recorded higher business activity in July, the lowest number since February 2021 (four). London saw by far the strongest growth, but even here the rate of expansion slowed, as was the case in six other areas. Northern Ireland* remained at the bottom of the rankings, while lower output was also seen in the North East, East of England and East Midlands.

Employment

Rates of job creation generally remained robust across the UK in July. In fact, four regions even saw slightly faster increases in employment than the month before, including the South East which moved to the top of the rankings. The North East once again went against the broader trend, registering another marginal decline in workforce numbers, its third in the past four months.

Future Activity

Firms' expectations for future activity remained positive for the most part in July, with only those in Northern Ireland anticipating a decline in output over the next 12 months. Businesses in Yorkshire & Humber were the most optimistic about the outlook, despite confidence in the region have weakened from the previous month. Expectations also fell in the West Midlands, South East, East Midlands and South West.

* Coverage in Northern Ireland also includes retail and construction, alongside manufacturing and services.

Business Activity Index

sa, >50 = growth since previous month, Jul '22



Employment Index

sa, >50 = growth since previous month, Jul '22



Future Activity Index

>50 = growth expected over next 12 months, Jul '22



Index summary

North West

sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate	Future Activity*	Employment	Outstanding Business	Input Prices	Prices Charged
Feb '22	56.7	58.6	54.8	75.2	58.5	53.8	80.8	66.3
Mar '22	56.9	58.2	54.0	74.5	58.6	50.7	81.4	69.9
Apr '22	58.7	56.9	53.9	70.2	57.3	49.5	84.6	71.9
May '22	53.0	53.8	53.3	72.4	55.1	50.5	87.1	71.6
Jun '22	51.2	50.6	52.5	64.0	53.7	49.1	84.8	67.0
Jul '22	51.1	49.4	50.6	69.2	53.8	45.4	76.9	64.2

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About NatWest

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Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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